

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 3128 - HB 3241

March 3, 2010

SUMMARY OF BILL: Changes the definition of full-time student from 12 to 14 credit hours. Requires the Tennessee Higher Education Commission (THEC) to require the University of Tennessee (UT) and the Tennessee Board of Regents (TBR) to set the minimum requirement for full-time undergraduate attendance at 14 hours. The effective date is July 1, 2011.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures – Net Impact - \$29,700/One-Time/FY11-12
\$70,600/Recurring/FY11-12 and
Subsequent Years**

Decrease State Expenditures - \$12,300/One-Time/FY12-13

Other Fiscal Impact – In FY11-12, expenditures from the Lottery for Education Account will decrease by approximately \$87,000. In FY12-13, these expenditures will decrease by approximately \$46,900. In the fifth year of implementation, these expenditures will decrease by approximately \$880,000.

Assumptions:

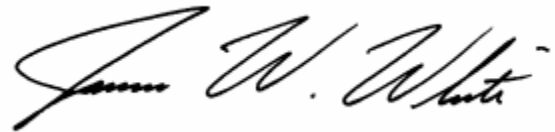
- According to TSAC, in 2008-2009, there were 6,380 students eligible for the HOPE scholarships who were certified at 12-13 hours with an average semester award of \$1,818.
- Five percent of those students (319) will remain enrolled at 12-13 hours and not move to 14 hours. These students will receive approximately 85 percent of their full HOPE scholarship.
- In FY11-12, the full scholarship amount if those 319 students moved to 14 hours would have been approximately \$579,942 (\$1,818 x 319); 85 percent of that is \$492,951.
- Savings for Tennessee Education Lottery Scholarship (TELS) programs in FY11-12 is estimated to be approximately \$86,991 (\$579,942 - \$492,951).
- In FY12-13, TSAC estimates that the base number of students will increase to 6,890 and that approximately 2.5 percent of those (172) will remain enrolled in 12-13 hours and not move up to 14 hours.
- The full HOPE scholarship amount for these students would have been \$312,696 (\$1,818 x 172); 85 percent of that is \$265,792.

- Savings for TELS programs in FY12-13 is estimated to be approximately \$46,904 (\$312,696 - \$265,792).
- TSAC estimates that non-TELS programs will mirror savings in TELS programs in FY11-12 and subsequent years.
- Any savings achieved for non-TELS programs will be from the General Fund.
- Total expenditures for TELS programs are \$235,000,000.
- Total expenditures for non-TELS programs are approximately \$58,100,000.
- The amount of savings in FY11-12 for non-TELS will be approximately \$21,507 $[(\$86,991/\$235,000,000) \times \$58,100,000]$.
- The percentage of savings between FY11-12 and FY12-13 for TELS programs is approximately 57 percent ($\$49,904/\$86,991$). Fifty-seven percent of \$21,507 is approximately \$12,259.
- Savings in FY12-13 for non-TELS programs will be approximately \$12,259.
- Since federal guidelines list a full-time student as 12 credit hours, Tennessee higher education institutions must produce reports based on the federal definition for the purposes of Tennessee Higher Education Commission reports.
- UT estimates that a total of 1,500 hours (1,000 one-time and 500 recurring) will be required to modify four separate Banner implementations and to keep up with on-going federal financial aid regulations.
- One-time increases in state expenditures for the 1,000 hours will cost approximately \$51,200 with salary (\$40,000) and benefits (\$11,200). One part-time programmer will be hired on a permanent basis at a cost of approximately \$25,600 in recurring state expenditures with salary (\$20,000) and benefits (\$5,600).
- TBR estimates that one part-time programmer will be required at a cost of \$45,000 in recurring state expenditures with \$32,400 (salary) and \$12,600 (benefits).
- Total recurring increase in state expenditures in FY12-13 will be approximately \$70,600 ($\$45,000 + \$25,600$).
- The net increase in one-time state expenditures in FY11-12 will be approximately \$29,693 ($\$51,200 - \$21,507$).
- The net increase in recurring state expenditures in FY12-13 will be approximately \$58,341 ($\$70,600 - \$12,259$).
- THEC estimates that a cohort of 446 students will graduate early in the fifth year of implementation and subsequent years as a result of taking 14 credit hours per semester instead of 12 to 13.

- Approximately 434 of those would have received a \$2,000 HOPE scholarship per semester (\$868,000) to a four-year institution and approximately 12 of those would have received a \$1,000 HOPE scholarship (\$12,000) per semester to a two-year institution.
- Each cohort of 446 students will generate savings of approximately \$880,000 (\$868,000 + \$12,000) in HOPE scholarship funding.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly legible, and "W." in the middle.

James W. White, Executive Director

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